Kenya Rural Enterprise Program Holdings, Ltd., and USAID/Kenya Trip Report

March 12–18, 2001

Jill Donahue

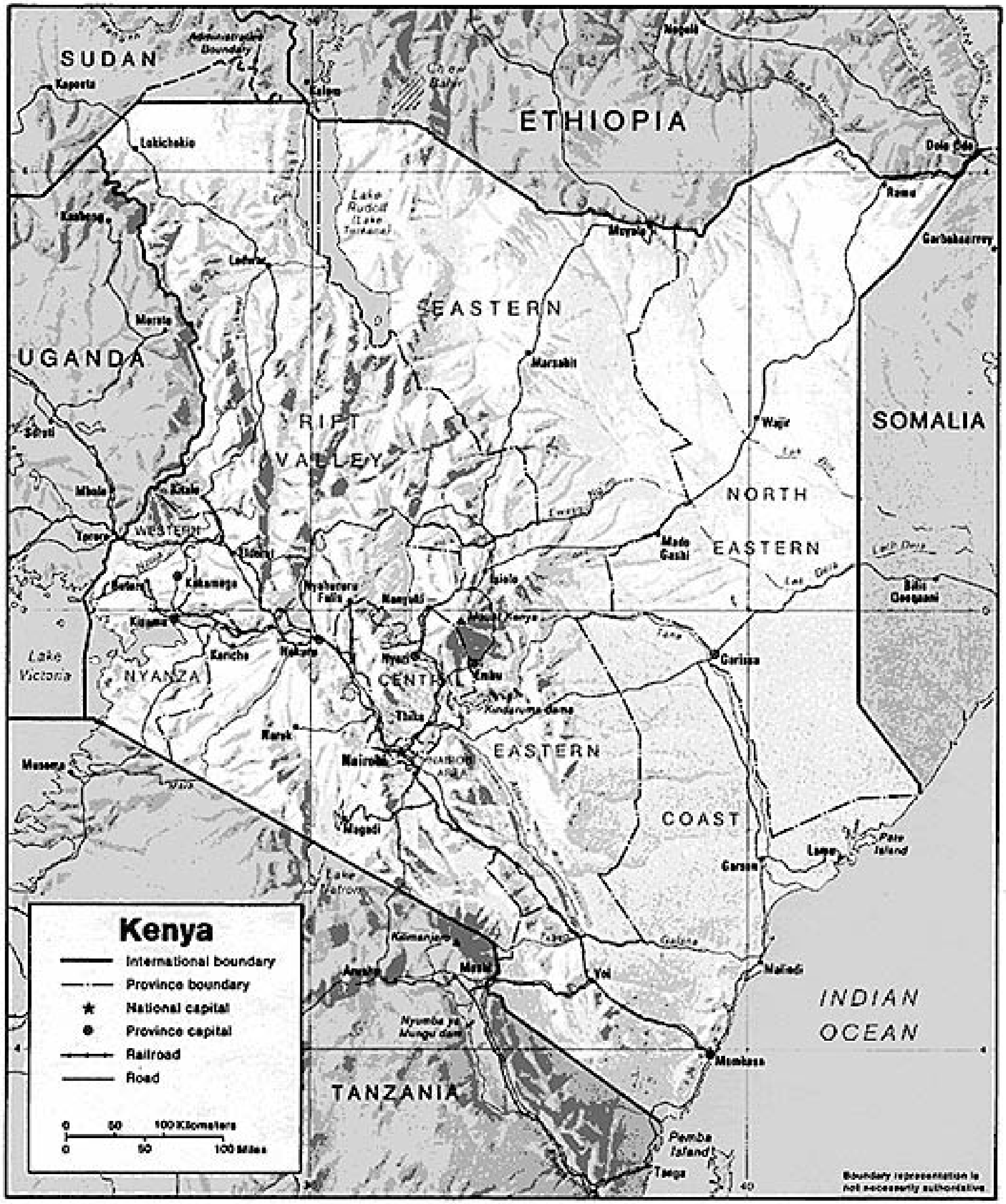
The evaluation report was conducted under the auspices of the United States Agency for International Development. The evaluation was conducted by the Displaced Children and Orphans Fund and War Victims Fund Contract (CRN-C-00-98-0037-00). The opinions expressed are those of the author and do not necessarily reflect the views of the U.S. Agency for International Development or Professional Resources Group International, Inc.

Additional information or copies of this report can be obtained by contacting
The Displaced Children and Orphans Fund and War Victims Fund
North Tower, Suite 700
1300 Pennsylvania Avenue, NW
Washington, DC 20004
(202) 789-1500

CONTENTS

ACRONYMS

ABEO	Agricultural, Business and Environment Opportunity
AFCAP	Microfinance Capacity Building Programme in Africa
AIMS-MSI	Assessing the Impact of Microenterprise Services
COPHIA	Community-Based HIV/AIDS Prevention, Care, and Support Program
DCOF	Displaced Children and Orphans Fund
FHI	Family Health International
FSA	financial services association
G/PHN	Global Bureau, Office of Population, Health and Nutrition
HIV/AIDS	human immunodeficiency virus/acquired immune deficiency syndrome
IMPACT	Implementing AIDS Prevention and Care Project
KREP	Kenya Rural Enterprise Program
M&E	monitoring and evaluation
MBP-DAI	Microenterprise Best Practice
MFI	microfinance institution
M&E	monitoring and evaluation
PLWA	people living with AIDS
ROSCA	rotating savings and credit association
SWAK	Society for Women and AIDS in Kenya
UNICEF	United Nations Children's Fund
USAID	U.S. Agency for International Development



Kenya
International boundary
Province boundary
National capital
Province capital
Railroad
Road
0 50 100 Kilometers
0 50 100 Miles
SUDAN
ETHIOPIA
UGANDA
SOMALIA
TANZANIA
INDIAN OCEAN
EASTERN
RIFT VALLEY
NORTH EASTERN
WESTERN
NYANZA
CENTRAL
COAST
Lake Victoria
Lake Rudolf (Lake Turkana)
Nairobi
Mombasa
Nakuru
Kisumu
Kakamega
Nyeri
Embu
Garissa
Marsabit
Wajir
Moyale
Lodwar
Lokichokio
Malindi
Lamu
Voi
Thika
Kericho
Isiolo
Nanyuki
Kitale
Eldoret
Mandera
Boundary representation is not necessarily authoritative.

EXECUTIVE SUMMARY

In March 1999, the U.S. Agency for International Development (USAID)/Kenya and UNICEF conducted a joint assessment of families, children, and communities affected by HIV/AIDS. Jill Donahue, technical advisor to the Displaced Children and Orphans Fund, returned to Kenya during the first three weeks of November 1999 to propose scenarios using funds from the Global Bureau, Office of Population, Health and Nutrition (G/PHN) Displaced Children and Orphans Fund for joint community mobilization and microfinance initiatives.

The Agricultural, Business and Environment Opportunity (ABEO) Strategic Objective team of USAID/Kenya subsequently awarded funds to the research and development department of Kenya Rural Enterprise Program (KREP) Holdings, Ltd. The mission also allocated a small amount of DCOF money to Family Health International (FHI)/Implementing AIDS Prevention and Care Project (IMPACT) for programming for orphans and vulnerable children. Finally, Pathfinder signed a memorandum of understanding with KREP to provide microenterprise services to Community-Based HIV/AIDS Prevention, Care, and Support Program (COPHIA) beneficiaries using USAID/Kenya funds. Planned overlap exists among COPHIA, FHI/IMPACT, and KREP in Kenya's western area.

The partnership formed by KREP, FHI/IMPACT, and Pathfinder/COPHIA provides a unique opportunity to create access to economic and social services for people living in communities heavily affected by HIV/AIDS. All participants must keep firmly in mind that access to credit and building savings are not the only answers relevant to helping such communities. In some cases, they may not even be the most important answers. They are merely pieces of the patchwork making up household and community safety nets.

KREP's role in this joint initiative is to provide microenterprise services to FHI/IMPACT, Society for Women and AIDS in Kenya (SWAK), and Pathfinder/COPHIA. KREP will use the following approaches to deliver those services.

In the case of financial services,

- Within FHI/IMPACT project activities, KREP will improve access to financial services by creating new financial services associations (FSAs) and will offer a special line of credit.
- For COPHIA groups, KREP will improve access to financial services in three ways: (1) delivering loans directly to groups using KREP's method of solidarity group lending

(Watano/Kiwa), (2) linking groups to existing KREP FSAs, or (3) linking COPHIA groups to other microfinance institutions (MFIs).

With respect to training,

- KREP will provide training to increase the capacity of shareholders to manage their FSA.
- KREP will build capacity of new entrepreneurs to manage a business.
- KREP will improve the business skills of existing entrepreneurs.

Recommendations

The major recommendation is for USAID/Kenya, KREP, FHI/IMPACT, and COPHIA to regard KREP's contribution as an economic tool. KREP's primary job is to bolster the economic resources of clients who live in areas heavily affected by HIV/AIDS.

USAID/Kenya and DCOF

- The projected number of FSAs that KREP will create over the life of the project should be reduced to five at most.
- The mission should use the funds saved by reducing the number of FSAs to finance an impact evaluation at the end of the project.
- An impact evaluation should be designed using a multifaceted team from microfinance, social science, and HIV/AIDS fields.

KREP and Partners

KREP and the FSA model

- Should emphasize the role of savings with the FSA model
- Should avoid burdening people who are no longer economically productive with debt they cannot repay
- Should match recipients to loans in terms of their economic circumstances, rather than by defining them as "infected" or "affected"

KREP training areas for FSA or COPHIA beneficiaries should include the following:

- Using FHI/IMPACT, SWAK, and COPHIA expertise to weave HIV/AIDS awareness building into FSA board training in an effort to reduce stigma
- Matching training with business skill level rather than making an automatic correlation that those who are infected or affected need business training

- Considering adding areas that address managing expenses, simple budgeting, and planning for future economic needs as a household is coping with the impact of HIV/AIDS
- Distinguishing between the business training needs of individuals and those of groups wishing to raise funds for community needs

BACKGROUND

In March 1999, the U.S. Agency for International Development (USAID)/Kenya and UNICEF conducted a joint assessment of families, children, and communities affected by HIV/AIDS and produced the report *Children Affected by HIV/AIDS in Kenya: An Overview of Issues and Action to Strengthen Community Care and Support*. During the first three weeks of November 1999, Jill Donahue, technical advisor to the Displaced Children and Orphans Fund (DCOF), returned to Kenya—primarily to propose scenarios using funds from USAID's Global Bureau, Office of Population, Health, and Nutrition (G/PHN) Displaced Children and Orphans Fund for joint community mobilization and microfinance initiatives.

After the November visit, USAID/Kenya decided to award DCOF funds (US$300,000) to Kenya Rural Enterprise Program (KREP) Holdings, Ltd., by amending its existing cooperative agreement under the Strategic Objective of the Agricultural, Business and Environment Opportunity (ABEO). That agreement supports a pilot microfinance initiative called financial services associations (FSAs) to strengthen the economic resources of families and communities in areas heavily affected by HIV/AIDS.

The mission also allocated a small amount of DCOF money (US$200,000) to Family Health International (FHI)/Implementing AIDS Prevention and Care Project (IMPACT) for programming for orphans and vulnerable children. Finally, Pathfinder signed a memorandum of understanding with KREP to provide microenterprise services to Community-Based HIV/AIDS Prevention, Care, and Support Program (COPHIA) beneficiaries using USAID/Kenya funds. Planned overlap exists among COPHIA, FHI/IMPACT, and KREP activities in Kenya's western area.

SCOPE OF WORK

Understanding how to mitigate the economic impact of HIV/AIDS is a challenging endeavor. Several microfinance models exist in Africa, but practitioners know very little about how the economic impact of HIV/AIDS affects either the clients or the long-term viability of the lending institution. In addition, the FSA model chosen by KREP is a relatively new way to offer financial services to poor clients.

To fine-tune KREP's approach, Jill Donahue, technical advisor to DCOF, traveled to Kenya in March 2001 with the following purposes:[1]

- To learn from KREP staff members how they will implement and adapt the FSA pilot in areas heavily affected by HIV/AIDS
- To understand how FHI/IMPACT, COPHIA, and KREP will collaborate and interrelate with one another
- To contribute suggestions, as appropriate, based on findings and new developments gleaned from recent events where practitioners from the microfinance and HIV/AIDS fields discussed economic strengthening in an HIV/AIDS context
- To recommend strategies for developing an effective monitoring and evaluation system

The technical advisor attended a meeting with staff members from each of the partners: USAID's G/PHN and ABEO offices, FHI/IMPACT, KREP Development Agency, and Pathfinder/COPHIA. The partners briefly outlined their activities to date. The advisor also met separately with KREP Development Agency senior staff members at their offices and with KREP's field staff workers in Mumias.

The DCOF technical advisor joined a team from USAID and Pathfinder to observe the field activities of KREP, FHI/IMPACT, and COPHIA in Kakamega, Butere, and Mumias. The field visit ended with a brief review of the visit and ideas for next steps to take. The DCOF technical advisor also conducted a simulation of the economic impact on extended family networks.

STATUS OF INITIATIVE

The pilot microfinance initiative is KREP's model of a financial services association. This model works best in remote areas where banks are not readily accessible and where business activity is low volume and seasonal. KREP launched its FSA initiative in 1997. Currently, 40 financial service associations are operating in 17 districts of Kenya, totaling 16,200 shareholders.[2]

Features of the FSA model include the following:

- FSAs are savings-led microfinance institutions. Members pay for shares that form the basis of loan capital. Saving not tied to shares is also encouraged.
- The FSA must reach a specified level of share purchases and savings before members can begin asking for loans. Shares and savings form the capital base for lending.
- Members own and manage their FSA, and KREP provides technical assistance and training to build the capacity of members.
- Members receive dividends when lending operations produce a profit.

As stated earlier, KREP's role in this joint initiative is to provide microenterprise services to FHI/IMPACT, Society for Women and AIDS in Kenya (SWAK), and Pathfinder/COPHIA. KREP will use the following approaches to deliver those services:

- Financial services:
  - — Within FHI/IMPACT project activities, KREP will improve access to financial services by creating new FSAs and will inject loan capital for a special line of credit to be offered to infected or affected members.
  - — For COPHIA groups, KREP will improve access to financial services in three ways: (1) delivering loans directly to groups using KREP's method of solidarity group lending (Watano/Kiwa),[3] (2) linking groups to existing KREP FSAs, or (3) linking COPHIA groups to other microfinance institutions (MFIs).
- Training:
  - — KREP will provide training services to increase the capacity of shareholders to manage their FSA.

— KREP will identify the business management training needs of infected or affected shareholders and offer training to fill those needs.

KREP is working closely with SWAK and the partners to encourage community members affected by HIV/AIDS to join an FSA and buy shares.

FINDINGS

The technical advisor appreciates that FSA formation is still in the mobilization stage and that KREP has not had the opportunity to test its approach. Nonetheless, KREP should take the opportunity now to fine-tune its role so that it has the best possible chance to realize success. To this end, the following section outlines findings in five broad areas for such reconsideration. The succeeding section outlines specific recommendations for KREP, the USAID mission, and other FHI and Pathfinder partners.

Purpose of Initiative

Some divergence exists between what DCOF initially perceived as the purpose of this joint initiative and what KREP, the USAID mission, and their partners seem to expect. Some participants feel that introducing FSAs and other types of financial products is an important way to reduce stigma toward people living with AIDS (PLWA). Others want the initiative to be a way to prolong PLWA's lives. Although both of those goals are positive spin-off effects of KREP's project, neither is the primary purpose for which DCOF provided funds. Microfinance and business training are economic tools. Their primary job is to bolster the economic resources of clients who live in areas heavily affected by HIV/AIDS. This client base may have HIV-positive members among them who benefit from being part of an FSA, but the strength of the economic tool lies in enabling clients who are not infected, but who act as a safety net for the chronically ill and for vulnerable children.

Targeting Assistance to Infected and Affected Clients

KREP has not yet fully developed its special line of credit for infected and affected clients. The original intent was to make loans to clients classified as infected or affected using externally supplied loan capital. In addition, those clients would repay the loans at lower rates of interest. Membership in a SWAK group would be required in order to access this line of credit. Part of the rationale for this approach was to provide loans to especially vulnerable clients as quickly as possible—bypassing the normal FSA practice of waiting until sufficient loan capital exists from clients' savings and share purchases. KREP also felt injecting outside capital (using DCOF funds) would reduce the risk to the FSA.

However, best practice in microfinance advises (with good reason) against deliberately targeting loans to specific types of clients. Targeting specific client segments within a broader clientele with preferential loan terms or products does not get good results. The practice tends to create a negative dynamic where the general clientele resents the perceived preferential treatment of the targeted group. Such targeting may actually increase stigma inside the FSA as a result of resentment from other members who feel that their economic circumstances also warrant a special line of credit.

As stated, microfinance is an economic tool. It mitigates the impact of HIV/AIDS most effectively when matched to clients' economic circumstances, not to whether they are "infected or affected." The same rationale applies to matching training assistance to the FSA membership. KREP and its partners should not assume that infected and affected clients automatically require business management training. All clients should have access to training that is based on their level of business experience (or inexperience) if they feel they could benefit from it.

Finally, in emphasizing access to loans for infected and affected clientele, KREP and its partners are missing the most important aspect of the FSA model—savings. Building up savings and assets ahead of crises is a major, positive coping strategy. Clients whose productive capacity is extremely weak or nonexistent should never feel pressured or be encouraged to take loans. KREP and its partners should not give such clients the impression that their loans can be easily forgiven in the case of default simply because they are especially vulnerable.

Unrealistic Expectations for What Microfinance Can Do

In one conversation during the field visit, the technical advisor sensed a vague expectation that access to microfinance might allow individuals in home care groups to bolster their individual incomes as well as help them provide funds for community development efforts.

For example, one COPHIA group of community home care workers in Butere has its own merry-go-round[4] and plans on applying to KREP's Kiwa scheme. The field project managers for Youth International and COPHIA mentioned that they thought that members might better finance their individual needs as well as their groups' home care activities through such participation. However, experience does not bear out this optimism. For example, staff members from the Aga Khan Foundation informed an earlier team of a group in Kisumu with similar intentions, which linked to the Women's Economic Development, a CARE International microfinance program. They found that although their individual economic situation improved and made it easier for them to provide home care services to their community, such improvement did not translate into additional funds for their home care activities.

Effectiveness of the FSA Model

KREP recently commissioned an evaluation of its FSA program. The reviewers urged KREP to consolidate its experience with the current model before expanding. The consultants felt that KREP created too many FSAs too quickly and needed to spend time building the capacity of the existing associations. The number of FSAs has never been an issue with DCOF, but viability and sound practices are. Quality is much more important than quantity.

Monitoring and Evaluation

The technical advisor facilitated a brainstorming meeting with KREP, FHI, and Pathfinder on developing a monitoring and evaluation system. Monitoring and evaluation will be particularly important because this initiative covers new territory for microfinance and for care and support programs. Although adequate funds to conduct a full impact evaluation at the end of the project may not be available, all agreed that such an evaluation is necessary. Annex B summarizes the content of the brainstorming meeting.

RECOMMENDATIONS

USAID/Kenya and DCOF

The mission and DCOF should heed the recommendations of the recent evaluation of KREP's FSAs in Kenya, which calls for a period of consolidation. KREP should reduce the projected number of FSAs that it will create over the life of the project to five at most.

The mission should use the funds saved by reducing the number of FSAs to finance an impact evaluation at the end of the project. The mission could also use those funds to strengthen the monitoring component of the joint initiative.

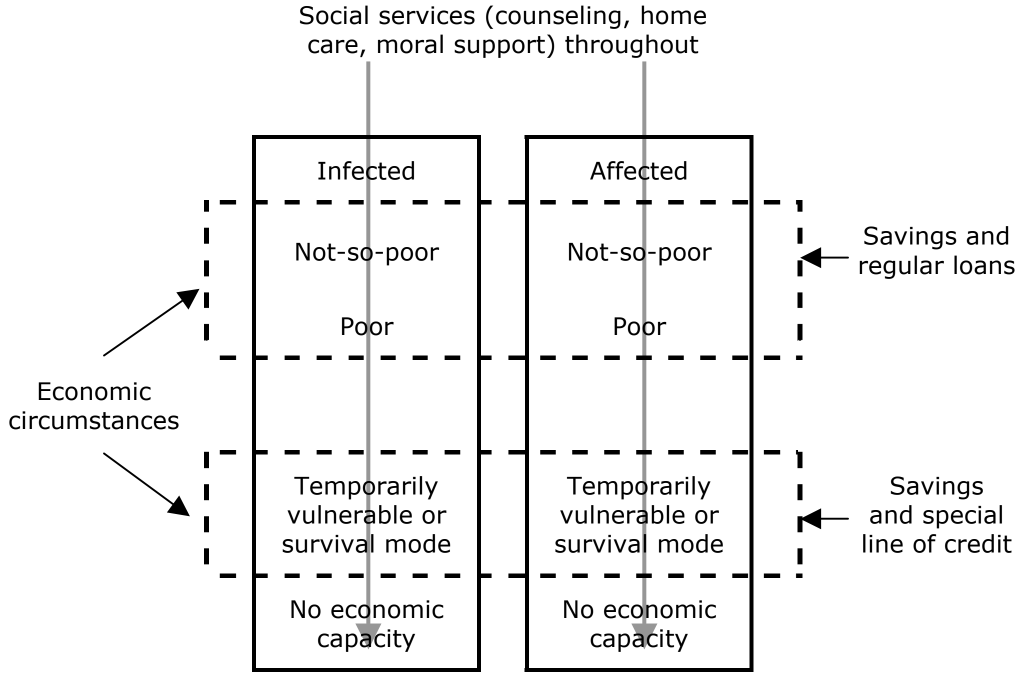
The mission should design an impact evaluation using a multifaceted team consisting of any or all of the following: consultants from Microenterprise Best Practice (MBP-DAI), consultants from Assessing the Impact of Microenterprise Services (AIMS-MSI), MicroSave-Africa trained local consultants, AFCAP (the Microfinance Capacity Building Programme in Africa) consultants, and social scientists with community development and HIV/AIDS perspective.

KREP and Partners

Financial Services of the FSA

1. Rethink how KREP and its partners market the special line of credit to FSA shareholders. The matching of an FSA member to a financial service must be more nuanced than simply matching based on whether the member is infected or affected. The FSA is an economic tool; its effectiveness is greatest when it is matched to economic criteria. Rather than spend time matching recipients to loans by defining them as infected or affected, KREP and its partners should work at matching recipients to loans in terms of their economic circumstances (i.e., economic vulnerability and productive capacity). Figure 1 offers a visual illustration of how KREP and its partners should approach matching clients to the special line of credit.

Figure 1. Matching Clients to Special Line of Credit



2. Emphasize the role of savings with the FSA model. An advantage of the FSA model is that it is first a savings mobilization vehicle, permitting access to a safe and convenient place to keep savings. Savings are an important mitigating factor to the economic impact of HIV/AIDS. They are critical assets, particularly in rural areas where there are few, if any, financial institutions and where business activity is modest and seasonal.
3. Avoid burdening people with debt they cannot repay. Loans can also be mitigating factors, but only when the recipients are economically productive. When a person is no longer economically productive, he or she will benefit more from social services than economic ones.
4. Identify a business "partner" sooner rather than later. For infected FSA members whose health is fragile, identifying someone with whom to team up will allow adequate time for the "partner" to learn the business (apprenticeship). KREP training or follow-up can fill whatever skill gaps may remain.
5. Carefully match training with business skill level. An automatic correlation should not be made that those who are infected or affected need training. Some already have experience and may not need any training at all, whereas those who have never been involved with business would benefit from training.
6. Role of KREP partners in avoiding or reducing stigma within FSAs. It is crucial that FHI/IMPACT, SWAK, and COPHIA play a strong role in developing techniques to build

awareness among the FSAs about how HIV/AIDS affects individuals, families, children, and communities. KREP should weave this subject into its FSA board training.

Training Areas

FSA or other MFI-related training should include

- Training in FSA management for board members, manager, and clerks
- Explaining to shareholders the rules of belonging to an FSA or a group lending scheme

Business management training should be available

- For individuals who want to earn their livelihood by running a business, particularly if they are new to business
- For existing entrepreneurs who want to improve the performance of their businesses

Household economy management training should include managing expenses, simple budgeting, and planning for future economic needs as a household is coping with the impact of HIV/AIDS.

Resource mobilization for community development (for COPHIA groups) should assist groups in developing strategies to raise funds for community needs (such as home-based care materials and emergency food needs).

ANNEX A—DRAFT SCOPE OF WORK

Background

In March 1999, USAID/Kenya and UNICEF conducted a joint assessment of families, children, and communities affected by HIV/AIDS and produced the report *Children Affected by HIV/AIDS in Kenya: An Overview of Issues and Action to Strengthen Community Care and Support*. During the first three weeks of November 1999, Jill Donahue, technical advisor to the Displaced Children and Orphans Fund (DCOF), returned to Kenya—primarily to propose scenarios using funds from USAID's G/PHN Displaced Children and Orphans Fund for a joint community mobilization and microfinance initiative scenarios.

As a result of the November visit, USAID/Kenya decided to award funds to KREP Holdings, Ltd., by amending its existing cooperative agreement under the Strategic Objective of the Agricultural, Business, and Environment Opportunity. This additional funding will support a pilot microfinance initiative that aims to strengthen the economic resources of families and communities located in areas heavily affected by HIV/AIDS. An additional sum of money will support community mobilization efforts in the same geographic location as that of the KREP pilot. These funds will be awarded to Family Health International.

Purpose of Consultation

Understanding how to mitigate the economic impact of HIV/AIDS is a challenging endeavor. Several microfinance models exist in Africa, but little is known about how the impact of HIV/AIDS affects clients and the long-term viability of the lending institution. In addition, the model chosen by KREP—financial services associations—is a relatively new way to offer financial services to poor clients.

It is proposed that Jill Donahue, Technical Advisor to DCOF, travel to Kenya for the following purposes:

- To learn from KREP staff members how they will implement and adapt the FSA pilot in areas heavily affected by HIV/AIDS

- To understand how FHI/IMPACT, COPHIA, and KREP will collaborate and interrelate with one another
- To contribute suggestions, as appropriate, based on findings and new developments gleaned from recent studies and during public events where practitioners from the micro-finance and HIV/AIDS fields discussed economic strengthening in an HIV/AIDS context
- To recommend strategies for developing an effective monitoring and evaluation system

Deliverables

Ms. Donahue will deliver a final report that will include the following:

- Description of KREP's proposed microfinance model
- Description of the roles of KREP, FHI/IMPACT, and COPHIA
- Recommendations for developing financial products and services within the FSA model that take into consideration the nature of HIV/AIDS impact on clients
- Recommended monitoring and evaluation strategy
- Recommendation on approach for providing nonfinancial services (training, grants) to those too vulnerable to absorb debt

In addition, Ms. Donahue will establish a method for future e-mail communication with all concerned parties so that relevant information can be shared and disseminated to those who will benefit from it.

Tasks

Ms. Donahue's tasks will be as follows:

- To review all current and relevant reports, studies, and meeting minutes from USAID, KREP, FHI, and Pathfinder for background information
- To meet with USAID staff members (Office of Population and Health and Office of Agricultural, Business, and Environment Opportunity who are responsible for monitoring COPHIA and KREP
- To meet with KREP headquarters and field staff members who are responsible for managing the proposed FSA pilot, to review policies and methodology with them, to share with staff new information and findings on operating microfinance schemes in areas heavily affected by HIV/AIDS, and to discuss the implications that this new information may have on the FSA pilot

- To meet with FHI/IMPACT and Pathfinder staff members who are responsible for the economic-strengthening aspect of COPHIA
- To assess the business-training component of the pilot

As a way to impart new information and findings, Ms. Donahue proposes to conduct a simulation exercise with KREP, FHI, and COPHIA staff members on the effects of HIV/AIDS on extended families and the role of microenterprise activities in mitigating these impacts. This simulation can be a springboard for discussion and strategizing about innovative methods for mitigating the economic impact on families and communities affected by HIV/AIDS.

ANNEX B—RESULTS OF BRAINSTORMING SESSION ON MONITORING AND EVALUATION

Table 1 is by no means a monitoring and evaluation plan. It simply documents USAID, DCOF, KREP, FHI, and Pathfinder's ideas for how to build in impact measurement for monitoring and evaluation (M&E) of the financial services association (FSA) experiment. It should instigate further refinement by field staff of KREP, FHI/IMPACT, and COPHIA. The choice of indicators should take into consideration cost, collectibility, and reliability.

KREP already has a thorough M&E plan that captures data on the financial performance and health of the FSA, according to standard microfinance institution M&E practices. That plan includes data on who and how many people the FSA serves. KREP will add indicators such as the number of orphans, widows, and single heads of household to its other output indicators.

Table 1.
Results of Brainstorming Session

Purpose	What Is Economic Mitigation?	Illustrative List of Impact Indicators
Mitigate the economic impact of HIV/AIDS Make people infected and affected by HIV/AIDS less economically fragile	Protecting assets Having a stable source of income Being able to feed oneself and one's children Caring for one's children (including keeping them in school) Improving coverage of health costs	Assets: • Business capital • Savings • House and household goods • Livestock • Land • Number of meals • Quality of meals Number of dependents: • Within household • Outside household (elderly parents, sick relatives, other family member's children)

Project staff members monitor and collect data, periodically analyzing data to see whether they should adjust project activities. Using focus group discussions to gauge impact is also a good idea. Headquarters staff members can also review and analyze data during their quarterly meetings and during field visits.

Other considerations and assumptions include the following:

- How would food aid targeted to vulnerable households affect the economic impact of HIV/AIDS? Would such aid affect petty trading businesses in the area?
- Changes in quality of food would depend upon successful IMPACT and COPHIA activities relating to nutrition.

Some practical ways to minimize costs and time requirements are as follows:

- Data collection should be part of the registration process and loan application. Data collected at those times reflects the situation of FSA members as they come into the programs and can serve as baseline data.
- Use KREP, FSA, COPHIA, and SWAK staff members to collect and verify data (if necessary).
- Staff members should concentrate on the data they need to know and ruthlessly eliminate what is merely nice to know.

An outside component of project or impact evaluation is needed. A multifaceted team consisting of consultants from Microenterprise Best Practice (MBP-DAI), consultants from Assessing the Impact of Microenterprise Services (AIMS-MSI), MicroSave-Africa trained local consultants, AFCAP consultants, and social scientists with community development and HIV/AIDS perspective should participate.

Table 2 provides a time line.[5] End of project evaluation should take place after two years (at this point). The ideal time to measure impact is after three years.

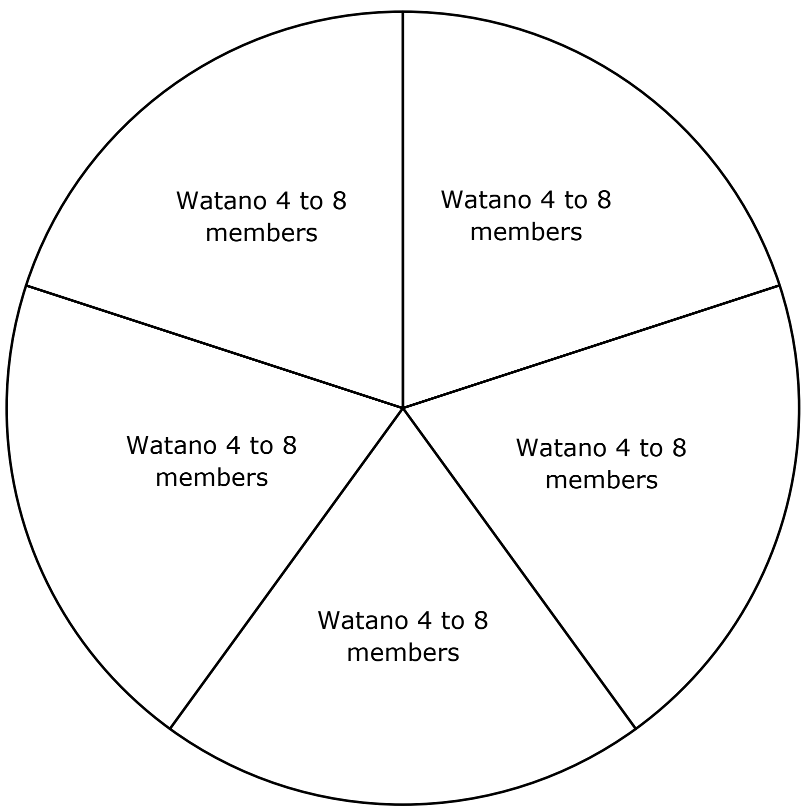
Table 2.
Time Line

Design tool (including testing and refining)	End of April 2001
Training	Initial training in May 2001
Baseline	May 2001
Collecting data (kick-off use of tools)	June 2001 (continous thereafter)
First review or analysis (includes compiling data) Quality enhancement of tool (final refinement)	No sooner than October 2001, but no later than December 2001

ANNEX C—KREP'S WATANO/KIWA PRODUCT

KREP has used this financial service product for some time. A Watano is a small group of four to eight members who provide mutual guarantees for each other's loans in lieu of physical collateral. KREP gives the loan to the entire group; they redistribute the funds among themselves and are collectively responsible for paying back the entire amount of money. The rationale behind a Watano is that it is realistic to expect members to find and vouch for four to eight people. Beyond those numbers, the peer lending or group solidarity is more tenuous.

Figure 2. Kiwa



To facilitate efficient and cost-effective loan disbursement and repayment, five Watanos come together to make up a Kiwa. The KREP loan officer arranges weekly repayments through the Kiwa. This system creates an economy of scale so that the officer can collect or verify repayments for one Kiwa instead of five Watanos. At the same time, the integrity of trust and group solidarity is protected through the smaller Watano.

ENDNOTES

[1] See Annex A, Draft Scope of Work, for a detailed list of tasks and deliverables.

[2] From the report, "Good Fences, Good Neighbors," Review of KREP Holdings FSA program, September 2000.

[3] For a more in-depth description of KREP's Watano/Kiwa product, see Annex C.

[4] *Merry-go-round* is Kenya's version of a traditional rotating savings and credit association (ROSCA). Members regularly pool a mutually agreed upon sum of money that rotates in turn to each member.

[5] Augustine Cheruiyot, Research Manager for KREP, is the point person for making the necessary arrangements so that the partners can meet the time-line deadlines.